REMARKS:

Claims 22, 23, 26-39 and 43 are presented for examination, with claim 22 having been amended hereby, new claim 43 having been added and claims 1-21, 24, 25 and 40-42 having been cancelled (without prejudice or disclaimer).

Reconsideration is respectfully requested of the rejection of claims 22, 23 and 26-39 under 35 U.S.C. §112, second paragraph (of note, the cancellation of claims 1-21, 24, 25 and 40-42 has rendered their rejection moot).

Applicant does not necessarily concur with the Examiner in the Examiner's analysis of the claims of the present application and the applicable rules and regulations.

Nevertheless, in order to expedite prosecution of the present application, independent claim 22 (the sole pending independent claim) has been amended hereby to more clearly recite patentable subject matter.

More particularly, claim 22 has been amended hereby to explicitly recite that the various obligations and requirements of the two agreements are actually carried out (thus, explicitly reciting elements having a defined output).

Therefore, it is respectfully submitted that the rejection of claim 22 (as well as claims 23 and 26-39 depending (directly or indirectly) therefrom) under 35 U.S.C. §112, second paragraph, has been overcome.

Reconsideration is respectfully requested of the rejection of claims 22, 23 and 26-39 under 35 U.S.C. §103(a) as allegedly being unpatentable over U.S. Patent No. 6,304,858 to Mosler et al. (hereinafter "Mosler et al.") in view of "US Tax Treatment", International Securities Lending (hereinafter "Conners et al.) and U.S. Patent Application No. 2004/0143525 to Nishimaki (hereinafter "Nishimaki").

Initially, it is noted that the rejection made in paragraph 4 at page 3 of the January 8, 2007 Office Action is directed to claims 1-22 (excluding claims 8, 9 and 10). It appears, however, that the Examiner had intended to include claims 23-42 in this rejection. Thus, it will be assumed for the remainder of this discussion that the rejection made in paragraph 4 at page 3 of the January 8, 2007 Office Action is also directed to claims 23-42.

Moreover, it is noted that the cancellation of claims 1-21, 24, 25 and 40-42 has rendered their rejection moot.

In any case, it is respectfully submitted that applicant does not concur with the Examiner in

the Examiner's analysis of the claims of the present application and the Mosler et al., Conners et al. and Nishimaki references.

For example, claim 22 (the sole pending independent claim) recites arranging a first agreement having associated therewith various obligations and requirements and arranging a second agreement having associated therewith various obligations and requirements (as mentioned above, the claim has also been amended hereby to explicitly recite that the various obligations and requirements of the two agreements are actually carried out (thus, explicitly reciting elements having a defined output)).

More particularly, pending claim 22 recites, *inter alia*, the following:

- arranging a first agreement between the first party and the second party, wherein the first agreement:
    - i) "obligates the first party to sell a security to the third party"
    - ii) "obligates the second party to pay a first in-lieu-of dividend to the first party"
    - iii) "requires the first periodic marking of the security sold by the first party to market"
    - iv) "obligates the first party to unwind the sale of the security to the third party"

Further, pending claim 22 recites, *inter alia*, the following:

- arranging a second agreement between the second party and the third party, wherein the second agreement:
    - i) "obligates the third party to buy the security sold by the first party"
    - ii) "obligates the third party to pay a second in-lieu-of dividend to the second party"
    - iii) "requires the second periodic marking of the security sold by the first party to market"
    - iv) "obligates the third party to unwind the sale of the security made by the first party"

In other words, the claim recites that there are two agreements and that the parties have various obligations and requirements under the agreements (the claim also recites that the various obligations and requirements of the two agreements are actually carried out).

In particular, the claim recites that the first agreement "obligates the first party to sell a security to the third party" (and then unwind the sale) and that the second agreement "obligates the third party to buy the security sold by the first party" (and then unwind the sale).

This obligation/requirement mechanism may provide certainty to a transaction, in that the first party (e.g., an institutional investor) knows that the third party (e.g., a hedge fund) is required to purchase the security that the first party desires to sell and, likewise, that the third party knows that the first party is required to sell the security that the third party desires to buy.

While applicant does not concur with the Examiner regarding whether it would have been obvious to combine the Mosler et al., Conners et al. and Nishimaki references as suggested, even if one were to combine the references as suggested the resulting hypothetical combination would still not provide the claimed mechanism wherein the first agreement "obligates the first party to sell a security to the third party" (and then unwind the sale) and the second agreement "obligates the third party to buy the security sold by the first party" (and then unwind the sale).

In this regard, it is noted that the contract obligating the buyer and seller in Mosler et al. appears to relate to an obligation to settle a contract based upon a price of the contract at an effective date and not to a first agreement that "obligates the first party to sell a security to the third party" (and then unwind the sale) and a second agreement that "obligates the third party to buy the security sold by the first party" (and then unwind the sale).

In addition (and of even potentially more importance), it is noted that independent claim 22 has been amended hereby to recite the subject matter of now cancelled claim 25 directed to the fact that "short exposure to the security is provided to the third party based upon the sale of the security by the first party" (i.e., by the initial purchase of the security by the third party and then the unwinding of the purchase)

That is, the claim recites a mechanism via which short exposure is provided to the party purchasing the security.

This provision of short exposure is provided in a manner essentially opposite that of the conventional provision of short exposure (i.e., wherein a party gains short exposure to a security via the initial sale (and then unwinding of the sale) of a security by the party seeking short exposure).

Moreover, while applicant does <u>not</u> concur with the Examiner regarding whether it would have been obvious to combine the Mosler et al., Conners et al. and Nishimaki references as suggested, even if one were to combine the references as suggested the resulting hypothetical combination <u>would still not</u> provide the claimed mechanism "<u>wherein short exposure to the security is provided to the third party based upon the sale of the security by the first party</u>."

In fact, it is respectfully submitted that Conners et al. <u>actually teaches away</u> from this element of the claimed invention, because Conners et al. indicates (in the second full paragraph of the Full Text) that "[t]o qualify under Section 1058 for non-recognition, the agreement under which securities are lent must: ... and <u>not reduce the risk of loss, or opportunity for gain, of the securities lender in the securities lent</u>." (emphasis added).

Since the risk of loss, or opportunity for gain, of the securities lender must not be reduced according to this reference, it follows that the same risk of loss, or opportunity for gain, in the counterparty (or securities borrower) must likewise not be reduced.

Thus, this Conners et al. reference <u>teaches away</u> from the currently claimed invention "<u>wherein short exposure to the security is provided to the third party based upon the sale of the security by the first party</u>."

Therefore, it is respectfully submitted that the rejection of claim 22 (as well as claims 23 and 26-39 depending (directly or indirectly) therefrom) under 35 U.S.C. §103(a) as allegedly being unpatentable over Mosler et al. in view of "Conners et al. and Nishimaki has been overcome.

Finally, it is noted that this Amendment is fully supported by the originally filed application and thus, no new matter has been added. For this reason, the Amendment should be entered.

For example, support for the amendment to claim 22 regarding the obligation of the third party to buy the security sold by the first party may be found at page 18, lines 20-30; and throughout the specification.

Further, support for the amendment to claim 22 regarding the carrying out of the various obligations/requirements may be found, for example, at page 19, line 1 to page 20, line 8; and throughout the specification.

Further still, support for the amendment to claim 22 regarding the short exposure may be found, for example, in claim 24, as filed; at page 7, lines 18 and19; and throughout the specification.

Further still, support for new claim 43 regarding the first party selling the security to the third party through the second party may be found, for example, at page 19, lines 1-14; in Fig. 6; and

throughout the specification.

Accordingly, it is respectfully submitted that each rejection raised by the Examiner in the January 8, 2007 Office Action has been overcome and that the above-identified application is now in condition for allowance.

Favorable reconsideration is earnestly solicited.

Respectfully submitted,
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